P.

G. R. S. IX-5]

Previous references.

G. Fu. 52-1385 1-9. B. War 16
do - 3-1285 mil. Sept. 12.

1916: 17
(G. F.)

File No. 73-16

Serial Nos. 1

Later references.

G. Fu. 159-16 Pt 2,
B. Feby 1916.
" 159-16 (2,3,4,5,6,7 & 9-10)
" 159-16 (11, 12, 13 & 14)
" 159-16 (15)

GENERAL AND REVENUE SECRETARIAT.

4 55-19-88, 33-100-42-47

P. 13
B

Serial Nos. 1

Part B for November 1916.

SUBJECT.

Proposals for the purchase of the debentures of the Roy Sterling loan—

[N.B. orders have not been passed on this file]

W D 88—GPB—50,000—24-7-16

Mr. Pandharipande

G. R. S. 11] 1916.

GENERAL AND REVENUE SECRETARIAT.

(G.7)

NOTES.

File No. 73-16

FILE HEADING.

Purchase of the debentures of the Railway Sterling Loan of £ 1,200,000.

From

The Comptroller to Government

No. 1458 / Budget 71 Dated 21.8.16 Received 21.8.16

Diary No. 471	Enclos.	Spare Copies.	Serial No. 1

BRIEF ABSTRACT OF LETTER.

Submits proposals for the purchase of the debentures of the Ry Sterling Loan of £ 1,200,000 which are now quoted at about 82 per cent.

NOTES AND ORDERS.

Sued for orders

22/8 Dy. For the reasons given in para 5 (ii) the purchase of these debentures is desirable. To the extent ~~that~~ they are purchased, the Rly debt may be regarded as having been actually redeemed. In the

NOTES—First Sheet.

G. R. S. 12]

General and Revenue Secretariat.

G 7 File No. 73 of 1916.

Serial No.

long ~~From~~ any price upto 100 may be safely paid for these in views of the considerations in para 5(2). The proposal in para-8 may ~~be~~ therefore be agreed to. It is not likely that large lots will be available for sale, so that it will not be necessary to ~~find~~ any large sums for such investment.

Yours)

23/8

3. Please put up papers showing

(a) Who is to redeem the 5% loan and at what rate.

(b) Present rules regarding Englis Income Tax. This is for verifying Comptr's statement in para 7.

23/8

4. The latest English Income Tax Act may be put up

Sd- Secretary III

28/8

(a)

P.T.O.

NOTE—Contn. sheet.

GPB—25,000—30-4-15.

G. R. S. 12]

General and Revenue Secretariat. | Q 7 File No. 73 of 1916.

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5(a) The Railway loan is redeemable at par by the Secretary of State (or by the Company on behalf of the Sec? of State?) P. 77 of the printed Coll?. and the Sec? of State is to indemnify the Company against the liability of this debenture. Para 35 of the agreement - P. 84 of the printed Collection. The Secretary of State acts on behalf of the Impl Govt in the above matter. The Impl Govt is always liable to increase the amount of the Sinking Fund whenever necessary. Para 2 of Resident's letter dated 30th October 1899 - Page 15 of the printed Collection.

Mr Hallett claimed by Fleury for working in another case by

6. (b) The latest act is not available to be put up. The statement of the Compt is supported by actual experience as we do not pay Income tax on the interest on the Govt of India Sterling bonds. If necessary a reference may be made to the Madras Bank.

Fleury

Mr. 11.9.16.

Fleury said that Mr Rose might be written to.

7. The Compte may be authorized to purchase as much of the Ry loan paper as can be had. If necessary we may sell other securities. Income Tax is not payable on interest of the debentures

NOTE—Contn. sheet.

GPB—70,000—17-12-15

G. R. S. 12]

General and Revenue Secretariat. | G 7 File No. 73 of 1916.

Serial No.

but this will be made sure before actual purchase.

8) The order to the Bankers may be on the following lines:

(a) For the present the order may be to purchase upto £10,000 face value. After each block of £10,000 is completed telegraphic intimation will be given by the Bankers and we will give telegraphic instruction to begin buying another block of £10,000.

(b) Purchases to be made at market rates not exceeding 90 /.

(c) Purchase to be made only if income-tax is not payable by the purchaser.

This plan will enable us to go as far as we can with reference to ways & means.

M
12/9

P.S.

(d) Bearer-bonds with coupons should be the form purchased; if this is not available the Bank may purchase inscribed stock in its own name. We can then arrange with the Comptr of currency to take delivery and give us 3½ /- paper in exchange.

Dewan

9: The proposal may be approved by circulation & Extract for Submission. Early

(with DSR) Dewan 20-10-16

1514
12.9.16

NOTE—Contn. sheet.

Recd. 24.10.16.

GRPS—(C.O.S.)—1142/15

G. R. S. 12]

General and Revenue Secretariat. | G.7. File No. 73 of 1916.

Serial No. 10.

Ready. Perhaps Mr Dutta may be informally consulted.

(1) In (2) the funds. Ymayme balance are reported in the Imperial Bank. The amount of Govt keeps in the amount of the funds reported in above will have to be accepted by H.M.

12.12

(2) Orders are solicited whether the information required by the 2nd member may be obtained unofficially from the Comptroller's office & then the papers sent to Mr Dutta as suggested by the member.

(1) F3. As the result of enquiry made at the instance of the F. Secy, reference is invited to Mr Rose's letter of 19th Sept 1916 stating that in his opinion the British Income tax is payable on (the profits of) 5M R 7 Sterling Debentures that may be purchased by the state.

Vide marginal note against para 6 on page 3 of the notes

H. No. 982-16.

9/11/16

NOTE—Contn. sheet.

GPB—70,000—17-12-15

N.B.—No relief from Income Tax can be allowed in respect of the interest or dividends of any Securities of a Foreign State or a British Possession, which are payable in the United Kingdom, unless the claim be lodged with the paying agent before 6th October following the end of the year for which the Income Tax is charged.—[10 Ed. 7, c. 8, s. 71.] *The fiscal year ends 5th April.*

Form A.

☞ **To be accompanied by the London Agent's Declaration on Form B when Coupons are presented for payment.**

Income Tax.

FOREIGN AND COLONIAL DIVIDENDS.

DECLARATION to be made by an OWNER of Foreign or Colonial Bonds, Stock Certificates or Share Warrants to Bearer, claiming exemption from Income Tax on the ground of non-residence in the United Kingdom.

(1) Name, address, and occupation of Owner of the Bonds, Stock, or Shares, to be plainly written.

I, (1) _____

of _____

by occupation _____

do hereby solemnly declare that I am not resident in the United Kingdom, that I do not possess any place of residence therein, and that I have not been in the United Kingdom for a period or periods amounting to six months in any fiscal year (2) to which my claim relates. Further, I declare that I am entitled to the interest or dividends represented by the Coupons specified in the Schedule at the back hereof,

(2) The fiscal year ends 5th April.

(3) The amount of Coupons to be set out in writing *before* the Declaration is signed.

amounting to £_____ say (3) _____

_____

and am also the actual owner of the Bonds, Stock, or Shares, from which such Coupons are derived, the said Bonds, Stock, or Shares, being in the possession of (4) _____

(4) Name and address to be fully given.

_____

Signature of the Owner _____

Date _____

Declared at _____

this _____ day of _____ 191 .

Before me, _____

_____ Signature.

_____ Designation.

* Here state whether Consul, Vice-Consul, Notary Public, or British Magistrate.

Seal of British Consul, or Vice-Consul .....

Seal of Notary Public .....

N.B.—This Declaration, when filled up, must only be made before a Notary Public or British Magistrate, in case there is no British Consul or Vice-Consul in the place where the Declarant resides. The Bonds, Certificates, or Warrants, if required, must be produced in support of this claim.

(5) If Coupons are sent *direct* to an Agent in the United Kingdom by the owner of the Bonds, etc., this Declaration need not be signed.

(5) Where Coupons are transmitted through a Banker or Merchant residing abroad, on behalf of his Clients not resident in the United Kingdom, the following Declaration must be signed:—

I declare that the above named _____

is one of my clients, and that the Coupons specified at the back hereof have this day been transmitted by me for payment on his behalf to Messrs. _____

of _____

Signature of Banker or Merchant abroad _____

Address _____

Date _____

Penalty.—By Sec. 94 of the Finance (1909-10) Act, 1910, it is provided that "if any person for the purpose of obtaining "any allowance, reduction, rebate, or repayment in respect of any duty under this Act either for himself or for any other person, "or in any return made with reference to any duty under this Act, knowingly makes any false statement or false representation, "he shall be liable on summary conviction to imprisonment for a term not exceeding six months with hard labour."

20m/4/11—[7607] 10m 2/12ss G & S 1904

It is requested that in future communications on the subject, the No. and date of this letter, and the distinguishing letters, below the number as given opposite, may be quoted and addressed to the Comptroller, Mysore Government.

Urgent

the communications.

FIN. & REV. SECTT. 21 AUG 1916 DIARY NO 471

10/16/17

1458

No. Budget.71.

FORM

OFFICE OF THE COMPTROLLER, MYSORE GOVERNMENT,

Dated Bangalore, the 21st August *1916.*

M. N. Krishna Rao Esq., B.A.,

~~DIWAN BAHADUR S. SUBBA RAU, ESQ., M.A.,~~

F.R.A.S., ETC.,

Offg: *Comptroller to the Government of His Highness the Maharaja of Mysore.*

To

Rajamantrapravina Diwan Bahadur J. S. Chakravarti ..., Esq., M.A., F.R.A.S., etc

Secretary to the Government of Mysore,

Financial *Department.*

SIR,

I have the honor to address you regarding the desirability of buying the debentures of the Railway Sterling Loan of £12,00,000. These debentures are now quoted at about 82 per cent and as they have to be redeemed at par in 1936, it would be advantageous to buy them when they are selling, as at present, at a large discount.

2. It is unlikely that this paper can be had in big lots and only small quantities of it can be expected to be available for purchase from time to time. An arrangement for purchasing small lots of these debentures as they are placed in the market for disposal seems to be desirable.

3. Some amounts of the Muzrai and Palace Personal Estate accounts require investment annually and these debentures may be purchased on their behalf so long as such investment is favourable to them. Taking the present value of the 3½ per cent rupee securities, the rate of yield of investment in them is about 4½ per cent. The ~~purchase of~~ Railway Debentures if purchased even at 86 per cent would yield about the same return.

4. If large quantities of debentures beyond the requirements of the above accounts are available for ~~sale~~ purchase it is even worth while selling

GPB—2,000—25-8-14

C. O. 42-Rec.—17]

.....Department.

191

FROM

~~DIWAN BAHADUR~~

~~J. S. CHAKRAVARTI, ESQ., M.A.,~~

M. N. Krishna Rao ~~B.A., F.R.A.S., ETC.,~~

Comptroller to the Govt. of

H. H. the Maharaja of Mysore.

To

..... ESQ.,

Secretary to the Govt. of Mysore,

Finance *Dept.*

Dated 21-8-16

Despatched 21-8-16

Received

No. Budget 11.

Subject matter.

Regarding the desira-
bility of buying the
Debentures of the
Railway Sterling
Loan of £12,00,000

selling the 3½ per cent rupee securities which we now hold and buy instead, the Railway Debentures. Such conversion does not reduce the rate of return so long as the price of 3½ per cent notes does not fall below 76 per cent and that of the debentures does not rise above 86 per cent. Even from the point of view of Capital Value of securities, the conversion renders the position better. On the basis of the present values of the two securities, if we sell 3½ per cent notes we get 76 per cent, and an additional outlay of 6 per cent of nominal value of notes sold, gives us Railway debentures of the face value of 100. The extra expenditure of 6 per cent will be recovered in about 12 years from the interes of ½ per cent more which the debentures yeild.

5. The purchase of these debentures is best made in the interests of the Railway Loan Sinking Fund. The advantages of such purchase are these:

i. As the debentures are redeemable by us at par their purchase below par is a gain to the extent of the discount obtained.

ii. The present investment on account of the Sinking Fund is in irredeemable rupee securities and the repayment of the loan will require the sale of such securities for whatever price they may fetch in 1936 and also the remittance to England of the proceeds of sale at whatever exchange may be ruling at the time. These elements of uncertainty and risks of loss are avoided by the purchase of debentures.

iii. Our present relations with the Madras and Southern Mahratta Railway Company are influenced by our Railway debt and in proportion to our holding of these debentures , these relations may be expected to be altered in our favor.

6. The sale of 3½ per cent securities held to the credit of the Sinking Fund for purchase of the Railway Debentures will require the sanction of the Secretary of State. As however we hold the same securities as part of our Surplus Investment Account any purchase of Railway Debentures by sale of securities may first be made for this account. The question of cancelling a proportionate part of our Railway debt and reducing the Sinking Fund may be considered later on.

7.

7. The purchase of debentures in small lots does not require any remittance of funds to England as the balance with Messrs. Coutts & Co can be used for the purpose. No question of English income-tax arises as securities held outside the United Kingdom are exempt from such tax.

8. In the circumstances explained above the purchase of the Railway Debentures of the loan of 1886 raised through the late Southern Mahratta Railway Company is desirable, and if the proposal is approved sanction to buy them through Messrs. Coutts and Co., may be accorded. The maximum price to be paid for the debentures may for the present be fixed at 86 per cent.

I have the honor to be,

Sir,

Your most obedient servant,

Offg: Comptroller.

SAM.

D. O. No. 7 4002

D.O.№ 40.

Office of the Special Officer,

Bangalore,

Dated, 6th November 1916.

Dear Sir Visvesvaraya,

I shall be much obliged if you will kindly let me see the file regarding the question of buying up as much of the M. & S. M. Ry. Debentures as may be available in order to enable me to deal with the question of the policy to be followed by Government in regard to the Railway Loan Redemption Fund. I understand, the file was submitted to you on the 12th September last.

Yours sincerely

K. L. Datta

Confl

Bangalore
8th November
1916

D. O. No 4423

My dear Sir,

I write to acknowledge the receipt of your D.O. letter No 40 dated 6th November asking for the papers relating to the purchase of the Madras and Southern Mahratta Railway Debentures. The case has been forwarded to the Financial Department with my recommendation thereon. I am requesting the Financial Secretary to comply with your requisition.

Yours sincerely
8-11-16
K. L. Datta

F no 5860/16

W. D. 2725—GPB—2,000—5-5-16

REPLY.

(To be written on this margin.)

Office of the Dewan of Mysore.

NOTE.

Dated 8th November *191* 6.

D.C. letter No. 40 dated the 6th November 1916, from Mr. K.L. Datte, requesting that the papers relating to the question of buying up the Madras and Southern Mahratta Railway Debentures may be sent to him.

Forwarded to the Financial Secretary, for favour of compliance.

The papers were returned with my endorsement on the 20th October 1916.

8.11.16 Rb

The file is herein the putup. Reference is invited to the letter of Mr Rose therein that British Income Tax is payable on these Debentures by holders in India. ~~Details may be~~ marked Flsch?)

Rb 9.11.16

Spl. Officer)

W 10/11

F. no 982-16.